



Testimony of Clinton Tymes

Director, Delaware Small Business Technology Development Center network

Committee on Small Business

US House of Representatives

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Chairman Graves, Ranking Member Velazquez, members of the committee, thank you for inviting me to testify today. My name is Clinton Tymes and I am the State Director of the Delaware SBTDC network and past Chairman of the Board of the Association of Small Business Development Centers.

As you know, for over 30 years the SBDC network has been providing front line services to entrepreneurs and small business owners while growing and developing an infrastructure dedicated to assisting all small business owners and providing them free one on one consulting and advice on how to improve, finance, market and manage their businesses. The result of our efforts and the support of our host institutions has been establishment of a nationwide network of nearly 1,000 locations with over 4,500 dedicated professional counselors and business advisors that annually assist hundreds of thousands of small businesses and entrepreneurs in every state and territory as well as every conceivable type of business.

Today's hearing focuses on how we, as a Nation, can best help foster small business growth and innovation and how those entrepreneurs can help lead the economic recovery. At SBDCs we focus on that concept every day. It is a basic tenet of our accreditation process as authorized in the Small Business Act. Accreditation standard 2 requires that each SBDC develop and implement a strategic plan focused on continuously improving our services and skills to provide our clients – the small business community - with high value, up to date services. Accreditation standard 3(?) requires that each SBDC network have systems in place to assess the needs of the

small business community and adapt our services to meet those needs. Finally, accreditation standard 5.2 also requires continuing professional development for SBDC advisors to maintain and enhance their skills and knowledge base.

As a result, SBDCs provide assistance to small business of all types, in all demographics, industries and regions and those services can't be stagnant. We are always trying to expand and improve our services in an effort to support the growing needs of the small business sector and to adapt to a changing business environment. Advances in technology have changed the way most small businesses have to do business to survive and thrive. Through our Association, and individually, SBDCs partner with firms like Google, Intuit, Dell, Microsoft and literally hundreds of others to bring innovative and efficient ways of improving and managing small business operations.

Guiding innovation and fostering new technologies is a large part of this effort by SBDCs. Innovation can take many forms. It may be high-tech, like Facebook or just a new way of looking at something. For example, sunglasses aren't new and neither is beer but those are two great examples of how SBDCs help entrepreneurs - Maui Jim Sunglasses and Dogfish Head Brewing.

Maui Jim was a simple idea, sunglasses that cut glare but don't distort colors. But working to make that concept a world-wide success took years of work with the Illinois SBDC. Building a brand, developing the product, and marketing it helped Maui Jim grow to a company with 700 employees and offices in 13 countries. All in a market crowded with competition like Oakley, Ray-Ban and Revo.

Likewise, at the Delaware SBTDC we are proud of the work we have done with Sam Calagione of Dogfish Head breweries. Beer isn't high tech, and when Sam came to us it was little more than an idea, but we have worked with him from the start. Now he's one of the lead microbrewers in the US. His innovation - build a restaurant around a brewery. It's not gee whiz technology but the Delaware SBTDC made sure that Sam got the business basics right, got the funding he needed and he took off.

We see it every day, entrepreneurs who come from all walks of life, with different visions, desires and products. In the SBDC network we assist them all, existing businesses and startup businesses. Roughly half of our clients are nascent businesses, those in business less than a year, and half are existing businesses. The key to all these entrepreneurs is learning to succeed. SBDCs don't necessarily know about optical coatings or jalapeno ales but we do know marketing, finance, product development, government contracting and business planning. Our

clients come in with ideas and energy and problems. SBDCs provide them the knowledge and skills they need to succeed.

It's not a particular idea or industry rather we see it as the business basics. All small businesses, high tech gazelles, local mom and pops, or third generation manufacturers are focused on the bottom line. Yes, small business owners have a variety of motivations but, at the end of the day, nobody goes into business to lose money. Growth in sales, investment and hiring are key indicators for every business owner. They may not be focused on an IPO exit strategy but they still want to thrive.

So how does the SBDC network think we can help small business lead the economic recovery? By focusing on the basics. We see several significant areas where entrepreneurs need help – Finance (as always), Technology development, and Education. To the SBDCs these are the three legs to the stool. Capital is the lifeblood of small business, Technology is its toolkit/product basket and Education is what binds it all together for success.

How can we strengthen these legs? Let me give an example of how we are doing it in Delaware

TECHNOLOGY DEVELOPMENT

Delaware SBIR Gateway Program

Many SBDCs work specifically to assist firms in reaching the marketplace in the high tech arena. In Delaware we accomplish this in part through our SBIR Gateway program. The Delaware SBIR Gateway is designed to help knowledge-based firms and entrepreneurs compete for and win federal SBIR/STTR awards.

The Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Programs are highly competitive economic development programs. The programs operates in three-phases to fund start-ups and small businesses to grow from technology concepts that meet the specific research and development needs of 11 participating federal agencies.

For almost a quarter century, Delaware led the nation in the number of patents issued and the number of PhD's per capita. R&D expenditures by large multi-national corporations residing in Delaware like DuPont, Hercules and AstraZeneca catapulted Delaware to the top in these areas. However, statistics have also shown that Delaware has perennially lagged in a number of areas that are important to the start-up and development of small technology-based businesses. Delaware has always finished near the bottom in the number of SBIR/STTR proposal submissions and awards.

In response we developed the Delaware SBIR Gateway to be the one stop-shop for SBIR/STTR assistance. SBIR Gateway is an in-depth program covering all aspects necessary for writing successful SBIR proposals to the federal agencies in SBIR. The program is designed to provide qualified entrepreneurs and early-stage research and development companies with:

- Grant application strategy advice,
- Proposal writing workshops,
- One-on-one consultation and access to SBIR experts,
- Scientific and editorial review of grant application, and
- Access to state post-award resources,

Additional Gateway services and programs include:

- A single point of contact for SBIR/STTR assistance and proposal coordinating activities
- Identification of appropriate research topics for SBIR/STTR grant opportunities
- Post award assistance to manage the grant
- Publication of a quarterly Delaware SBIR Gateway electronic newsletter
- Presentation of general SBIR/STTR and agency specific programs throughout the year
- Networking events specific to SBIR/STTR
- Establish liaisons with researchers and technology transfer personnel at research institutions
- Partner with a Prime Contractor
- Partner with a Professor

To help achieve the goal of the Delaware SBIR Gateway of increasing the number of winning SBIR grants, an application process has been developed to select candidates that offer the best chance of success. The application will be reviewed by the Gateway Team comprised of SBTDC staff and independent SBIR consultants. Selection criteria will be based upon eligibility criteria to participate in the SBIR program and assessment of the applicant's technology. The SBIR Gateway Team will make final recommendations for acceptance into the program.

The SBTDC provides technical consulting expertise and workshops for the SBIR Gateway Program. The proposal writing workshops will be offered three times a year and will coincide with NIH's SBIR/STTR solicitation due dates of April 5th, August 5th, and December 5th. A qualified Principal Investigator (PI) must attend the mandatory SBIR workshop and be the primary author of the grant application. The PI of an SBIR project must have his or her primary employment with the small business during the conduct of the project and at the time the award is granted. Class size for the workshops is limited to 20 participants.

Upon submission of the application an initial assessment in-person or via phone with the Gateway Team will be scheduled to evaluate the applicant's access to facilities and resources, the stage of development of the technology, the strength of the applicant's team and other eligibility criteria to participate in the SBIR program. The assessment is to assist both the applicant and the Gateway Team to familiarize themselves with the company, the technology and the SBIR process. Appropriate grant strategies based on the current stage of the company and its technology will also be discussed.

All of this is designed to assist small businesses with innovative products and technologies achieve their goals. But SBIR Gateway is just a first step. While the participant is working through Gateway to get an SBIR award we also have them working on the next steps to their success. Also, while SBIR Gateway is specific to the SBIR program it is an example of the type of assistance an SBDC provides to any growing tech business.

The Delaware SBTDC like a number of SBDCs that are hosted by research institutions are working more closely with their institutions for technology transfer, science and engineering departments. The University of Delaware formed the Office of Economic Innovation and Partnerships, (OEIP) to help commercialize the University's technologies and to have the University play a major role in economic development in the state and region. In October 2009 the SBTDC was asked to be a part of this new and exciting group. Simply, what the university did was to put under one roof the technology transfer office, which deals with research and its commercial application and the SBTDC with its business expertise, to leverage resources to expedite the commercialization of knowledge-based assets that are both internal and external to the University.

I have attached a copy of a letter from Mr. Jianrong Lin of Spectrum Magnetics. In his letter Mr. Lin outlines the knowledge gaps that he, like many other entrepreneurs, had and how our SBTDC team helped fill those gaps.

"After the first meeting when we introduced our project, the team was able to catch on and understand our project and technology very quickly. Their eager to learn and proactive attitude allowed them to interact with our principle investigator extremely well. In early June, the team presented us with a complete report that included market analyses, market players, our entry point, and potential customers along with numerals reference materials. The report also outlined our next step in order to execute our product development. "

That is just one example of how SBDCs help small businesses develop and commercialize new technologies. Similar programs are conducted in North Carolina, Texas, Missouri and Nebraska to name a few.

FINANCING

Obtaining capital is usually a key leading measure of every business success. ASBDC believes that access to capital is vital but, if that financing isn't leading to an improved bottom line, it's just an output not an outcome.

Often at an SBDC we work with brilliant entrepreneurs with little idea of how to deal with the financial world. We can't always get them the financing they want right away but we can make their search and approach so much easier. Many of our high tech clients surprisingly don't know how to approach an angel investor or even what or who is an angel investor. Likewise, there is a huge gap in the ability of small business owners, at any level, to speak "finance". For us it's a process of helping them understand the presentation, something the average entrepreneur has no experience with. We are proud of our efforts to help clients attract financing, nearly 4 billion dollars last year alone. Some SBDCs carry their efforts to an extreme, my colleagues in Michigan actually take photos of their clients at their successful loan closings. How can we assist small business attract and find more capital? At SBDCs we try and bring in relationships with as many alternatives as possible. Whether it is seeking SBIR funding for a technology driven business; a microloan for a startup or long term funding for a longstanding business, SBDCs work to make the best avenue available.

In San Antonio, the SBDC helped a third generation firm, Kiolbassa Provision obtain a 504 loan for plant expansion. The result was to triple their number of employees and triple their annual revenues. They now supply Wal-Mart, Costco, and numerous grocery chains and restaurants.

In Illinois, the SBDC assisted Gaspardo & Associates, a full service 3D metrology laboratory launch it's newly patented product, ComScan, which allows metrology (quality control) services to be delivered with significantly reduced time and increased accuracy. The Illinois SBDC helped take this business to the next level by helping procure a private "angel" investor, as well as some bank financing and assistance in improving back office operations to allow better focus on growing the business.

Of course, it might also be a microloan for a local gourmet food truck. The point is, what can we do to make sure small businesses at any level get the capital they need? From the SBDC perspective, we identify the entrepreneur's strengths and weaknesses. Teach them how to relate to the financial community and find the right finance tools and financing for them.

EDUCATION

Everything I have talked about to this point has one common theme. Education. The best way to foster entrepreneurship, to help small businesses lead the way in the recovery is to educate them. Teach them the techniques and show them the tools they need. Ideas, dreams, innovations can all still fail without knowledge. Right now there are hundreds of programs, resources, tools and technologies available. The biggest problem small businesses face is making sense out of them and finding the ones they need. For SBDCs it is a daily effort to find and synthesize the information that small businesses need. In Delaware our branded tag line is “Navigate. Connect. SUCCEED. “

How can we work to overcome those knowledge gaps? To do that SBDCs advise and train small business on procurement, rural tourism, energy conservation, and international trade assistance to name just a few areas. SBDCs concentrate on maximizing the tools at hand. Currently, we are working with HUD’s Office of Community Development, SBA’s Office of Surety Bond Guarantees, and the Surety Bond industry Association. Our goal – to educate small contractors on how to obtain surety bonds and then get contracts with housing authorities on HUD funded projects. Not a new program, just teaching contractors the financial skills they need to get a bond so they can get to the next level.

This evening ASBDC’s 501(c) (3) foundation, in conjunction with the Citi Development Foundation, Safeguard Corporation, the Women’s Business Enterprise National Council and the Minority Business Supplier Diversity Council will be celebrating a new partnership. Our goal - train and certify small women and minority owned businesses to make them more successful, high performing businesses. Again, this is an effort to use the tools at hand to solve the problems small businesses face.

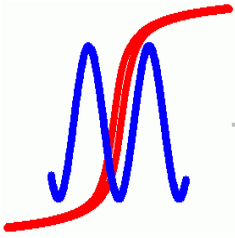
CONCLUSION

In summation, the ASBDC believes strongly in supporting small business by focusing on their needs and the most common concerns we hear from small business are – lack of capital, lack of sales, and difficulties managing the day to day complexities of business. Some surveys say that capital abounds. It does, for the qualified. Our goal is to help these small businesses get qualified and our results, nearly \$ 4 billion in financing. Small businesses say their sales are weak - Our goal is to help them develop their markets and products. Our results – In 2009-2010 average sales for a SBDC client were nearly four times the national average, totaling over \$5 billion.

Every day SBDCs help small businesses with marketing, financing, contracting, exports, etc. If we don't do it we'll find the help. We believe strongly in maximizing the unique abilities of our network and focus our strengths – high value research and education based counseling and training.

The economy has been in rough shape, small business owners and entrepreneurs need help and talented people to respond. However, we need to understand the resources we already have and leverage them to the best effect for our small business community. We need to recognize the skills that exist and encourage their adaptation.

In closing, thank you for letting me share the views of the SBDC network. I look forward to your questions.



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August 5, 2011

Dr. David Weir
Office of Economic Innovation and Partnership
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Dear Dr. Weir,

I would like to express our sincere appreciation for Wendy Wen, Gary C. Simon, and Satha Palani, who have provided us with valuable market information and business development ideas during the past several months.

In the spring, Wendy offered us a market research opportunity since you have a MBA intern working in the office. After the first meeting when we introduced our project, the team was able to catch on and understand our project and technology very quickly. Their eager to learn and proactive attitude allowed them to interact with our principle investigator extremely well. In early June, the team presented us with a complete report that included market analyses, market players, our entry point, and potential customers along with numerals reference materials. The report also outlined our next step in order to execute our product development.

Recently, because we have been preparing a Phase II proposal to NSF to continue developing the product, we turned to the team again and to seek help for our financial model and business strategic planning. With team's help, we were able to put together the proposal in a timely manner, and we are more than satisfied on their exceptional contributions!

While we excel in technical development, Spectrum Magnetics lacks experience in business development. The team from your office is indispensable. Their knowledge and advices are invaluable to us. We sincerely thank your team and hope that we will work with them again in the near future.

Sincerely yours,

Jianrong Lin
President
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